



TM

28 July 2025

## IndusInd Bank

### Asset quality remains under pressure and no signs of growth

#### RESULT UPDATE

**Sector:** Banks **Rating:** HOLD  
**CMP:** Rs 802 **Target Price:** Rs 900

#### Stock Info

Nifty	24,681
Bloomberg Code	IIB IN
Equity shares	779mn
52-wk High/Low	Rs 1498/ 606
Face value	Rs 10
M-Cap	Rs 627bn/ USD 7.2bn
3-m Avg volume (NSE)	Rs 6.13bn

#### Financial Snapshot (Rs bn)

Y/E March	FY26E	FY27E	FY28E
NII	205	230	262
PPP	143	164	190
PAT	69	82	97
EPS (Rs)	88	105	125
EPS Gr. (%)	159	19	19
BV/Sh (Rs)	916	1,021	1,145
Adj. BV/Sh (Rs)	867	972	1,090

#### Ratios

NIM (%)	3.7	3.9	4.0
C/I ratio (%)	53.1	52.0	50.9
RoA (%)	1.2	1.4	1.5
RoE (%)	10.1	10.8	11.5

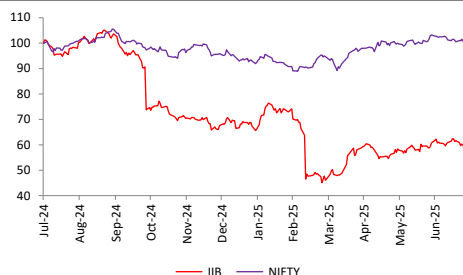
#### Valuations

P/E (x)	9.1	7.6	6.4
P/BV (x)	0.9	0.8	0.7
P/ABV (x)	0.9	0.8	0.7

#### Shareholding pattern (%)

	Dec'24	Mar'25	Jun'25
Promoter	16	16	16
-Pledged	-	-	-
FII	43	30	34
DII	29	37	34
Others	17	17	16

#### Stock Performance



IndusInd Bank as expected has turned profitable during the quarter, but the net profit remained subdued at Rs. 6.84bn, down -68% YoY. The net interest margin was at 3.46%, up 11bps QoQ (against normalised Q4 margin) supported by (i) lower cost of deposits and higher share of retail loans. The fee income has been weak during the quarter, but the non-fee income has been strong supporting profitability. The slippages in 4QFY25 were very high due to one-off accounting of unaccounted slippages but the gross slippage ratio of 3.0% for 1QFY26 is also at an elevated level. The provisions for the quarter were at Rs. 17.4bn and the credit cost was at 2.0%. Advances growth remained subdued at -3% QoQ and -4% YoY due to lower disbursements. Deposits growth was down -3.4% QoQ as the bank has let go some high-cost wholesale deposits and CDs. Generally, for banking system Q1 is a weak quarter and for IndusInd bank it has been even weaker as it is still coming out of the financial fraud which impacted the bank's business momentum severely. We would continue to be watchful of the bank's performance going forward and wait for signs of stability. We continue to maintain our HOLD rating for IndusInd bank with an unchanged price target of Rs. 900. We are valuing the standalone bank at 0.9x on its FY27E book value per share of Rs. 1021.

**Asset quality outcomes continue to remain elevated:** IndusInd Bank (IIB) in 1QFY26 has reported gross slippages of Rs. 25.67bn, up by 67% YoY. Most numbers are not comparable on QoQ basis due to many one-offs in 4QFY25. The gross slippage ratio was a 3.0%, down -257bps QoQ but up 120bps YoY. The microfinance slippages continue to remain at elevated levels. The bank has revalued the KYCs and improved its underwriting standards in microfinance. The new book built in microfinance in the last 6-9months is also showing stress. The bank has implemented the revised MFIN norms in 1QFY26. Microfinance segment slippages are expected to stabilize in Q3 or Q4FY26. The microfinance SMA 1 and 2 was at 2.2% down from 2.5% in 4QFY25. The bank has not witnessed any stress in the commercial vehicle finance book. The GNPA ratio was at 3.6%, up 51bps QoQ and 162bps YoY. The provisions coverage ratio was stable QoQ at 70%. The total provisions were at Rs 17.4bn down by -28% QoQ but up 66% YoY. The total annualized credit cost was at 2.0%, down -67bps QoQ but up 83bps YoY.

**Net interest margin evolves positively on BAU basis:** IIB reported a net interest margin (NIM) of 3.46% in Q1FY26 up by 11bps QoQ from the normalised NIM in 4Q due to higher recoveries and one-off interest on income tax refunds. The net interest margin was supported by (i) improved cost of deposits on account of cuts in savings account interest rate and (ii) higher share of retail loans. The bank has taken a total of 200bps cut in its saving account interest rate and a benefit of around 40-50bps in the cost of deposits is expected to flow in 2Q. The bank was holding higher liquidity during the quarter of Rs 527bn and the average LCR for the quarter was 141%. The corporate segment yield on advances was down by -20bps QoQ due to the transmission of repo rate cuts. The bank generally passes the entire repo rate cut in its EBLR linked loans in 3-6 months. Of the total loan book 55-58% of the loans are on fixed rate. Within the corporate loan book around 2/3<sup>rd</sup> book is external benchmark linked and 1/3<sup>rd</sup> book is MCLR linked.

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**Advances and deposits have witnessed degrowth:** In Q1FY26, net advances have decreased by -3.3% QoQ and -4.1% YoY due to lower disbursements. The vehicle loans segment grew by 7% YoY and 1% QoQ but the disbursements were down by -8% QoQ. The management expects growth to pickup in the vehicles segment in H2FY26. The microfinance book was down by -8% QoQ and -23% YoY. The microfinance disbursements were down by -36% QoQ. With moderation in disbursements the corporate book is down by -7.7% QoQ and -16% YoY. The bank has let go off loans which were not margin accretive. The business banking book was down by -1% QoQ but up 7.7% YoY. The LAP book was up 1% QoQ and 12% YoY. The personal loan book witnessed a growth of 4.6% QoQ and 31% YoY. The credit cards book was stable QoQ but up 2.5% YoY. The management has not given any guidance but have indicated total advances growth to be in single digit for FY26. Total deposits were down by -3.4% QoQ and -0.3% YoY. The bank has let go off wholesale deposits and CDs during the quarter. The retail deposits are up 6% YoY and the share of retail deposits as per LCR in total deposits has increased to 46.5% in 1QFY26 from 43.7% in 1QFY25. The CASA ratio was at 31%, down by -200bps QoQ and -600bps YoY.

**Operating expenses evolved broadly in control:** The total operating expense was Rs. 41.44bn, down -2.0% QoQ but up 5.7% YoY. The cost-to-income ratio in 1Q was at 61%, up by 1100bps YoY. The bank has done some realignment in operating expenses where certain cost which were taken earlier under other operating expenses are now moved to employee expenses. This adjustment for the quarter was Rs 1.14bn. However, there has not been any change in the total operating expense. The management expects to keep a tight lid on cost and expects it to grow in single digits going forward.

**Updates on top management:** The bank has submitted its recommended list of candidates to RBI for the MD and CEO role and expects an outcome to be announced soon. The bank is currently assessing the leadership gaps and will recruit the right talent for the same. Post the appointment of the new MD and CEO the bank will appoint 2 whole-time directors.

**Valuation and recommendation:** Generally, for banking system Q1 is a weak quarter and for IndusInd bank it has been even weaker as it is still coming out of the financial fraud which impacted the bank's business momentum severely. We would continue to be watchful of the bank's performance going forward and wait for signs of stability. We continue to maintain our **HOLD** rating for IndusInd bank with an unchanged price target of Rs. 900. We are valuing the standalone bank at 0.9x on its FY27E book value per share of Rs. 1021.

## Key takeaways from 1QFY26 earnings call:

### 1. Advances

- **Vehicle Loans:** Grew by 7% YoY, 1% QoQ; disbursements at Rs 112.98bn, down -8% QoQ. Expect stronger growth to pick up in H2FY26.
- **Microfinance:** Loan book down -23% YoY, -8% QoQ; disbursements down -36% QoQ. The bank has rechecked the KYC and improved underwriting. It is also following the new MFIN guidelines from 1QFY26.
- **Corporate Loans:** Down -8% QoQ, -16% YoY due to moderate disbursements.
- **Other Retail Assets:**
  - Business banking up 8% YoY, down -1% QoQ.
  - Loan Against Property (LAP) up 12% YoY, 1% QoQ.
  - Credit card spends market share at 4.87%.

### 2. Deposits

- **Retail Deposits:** Up 6% YoY, share increased to 46.5% from 43.7% YoY.
- **Total Deposits:** Down -3% QoQ due to exiting non-accretive wholesale deposits.
- **Rate Actions:** The bank has taken 200bps cut in savings account rates and 100bps in term deposits; further cuts possible.
- **Certificates of Deposit (CDs):** CDs down -12% QoQ.
- **Liquidity:** Average LCR at 141%, surplus liquidity at Rs 527bn.

### 3. Net Interest Margin Aspects

- **NIM:** 3.46%, up 11bps QoQ as compared to normalised in 4QFY25, supported by lower cost of deposits, NPA recovery, and one-off income tax refund.
- **Cost of Deposits:** Improved due to savings account rate cuts; 40-50bps further reduction possible.
- **Yield:** Corporate side yield down -20bps.
- **Loan book by rate category:** 55-58% of loan book is fixed rate; within corporate book 2/3 is external benchmark-linked and 1/3rd is on MCLR.

### 4. Asset Quality

- **Gross Slippages:** Gross slippages were at Rs 25.67bn and the gross slippage ratio was 0.74% (not annualized).
- **Segment-wise Gross Slippages:**
  - Vehicle Finance: Rs 7.43bn
  - Corporate: Rs 2.45bn (One manufacturing account of Rs 1.18bn slipped.)
  - Others: Rs 6.92bn
  - Microfinance: Rs 8.88bn

- **Net Slippages Ratio:** 0.61% (not annualized).
- **Microfinance:** Slippages improved QoQ, expected to stabilize by Q3-Q4 FY26.
- **SMA 1+2 Book:** Improved to 14bps in Q1FY26 from 21bps in Q4FY25.
- **GNPA:** The GNPA ratio was at 3.6%, up 51bps QoQ and 162bps YoY
- **Restructured Book:** Declined to 10bps from 12bps QoQ.
- **Net SR Receipts:** Declined to 22bps from 27bps QoQ.
- **PCR** at 70%.

#### 5. Operating Expense

- **Opex Growth:** Expected to be single-digit due to lower business growth and reduced variable expenses.
- **Employee Costs:** Rs 1.14bn reclassified between employee and other operating expenses; overall opex stable.
- **Technology Spending:** Largely completed, cautious approach to other spends.

#### 6. Fee Income

- **Core Fee Income:** Subdued in Q1, expected to scale up from Q2.
- **Insurance distribution Business:** Seasonal, with Q4 typically highest.

#### 7. Leadership and Management

- **New MD and CEO:** Appointment expected soon, progressing as per schedule.
- **Management Team:** Leadership gaps being addressed; two whole-time directors to be appointed after MD and CEO.
- **Executive Committee:** Ensured business continuity.
- **Talent Acquisition:** Actively identifying top talent for senior management.

## Exhibit 1: Quarterly performance

P&L (INR, mn)	Q1 FY26	Q4 FY25	% qoq	Q1 FY25	% yoy
Interest Earned	1,22,639	1,06,339	15.3	1,25,468	(2.3)
Interest Expended	(76,241)	(75,855)	0.5	(71,391)	6.8
<b>Net Interest Income</b>	<b>46,398</b>	<b>30,483</b>	<b>52.2</b>	<b>54,076</b>	<b>(14.2)</b>
Fee income	15,320	23,050	(33.5)	23,480	(34.8)
Non-fee Income	6,242	(15,962)	(139.1)	933	569.4
<b>Other Income</b>	<b>21,562</b>	<b>7,088</b>	<b>204.2</b>	<b>24,413</b>	<b>(11.7)</b>
<b>Total Net Income</b>	<b>67,961</b>	<b>37,571</b>	<b>80.9</b>	<b>78,489</b>	<b>(13.4)</b>
Employee Expense	(12,958)	(12,287)	5.5	(11,616)	11.5
Other operating expense	(28,481)	(30,009)	(5.1)	(27,606)	3.2
<b>Operating expenses</b>	<b>(41,439)</b>	<b>(42,297)</b>	<b>(2.0)</b>	<b>(39,222)</b>	<b>5.7</b>
<b>PPOP</b>	<b>26,522</b>	<b>(4,725)</b>	<b>(661.3)</b>	<b>39,267</b>	<b>(32.5)</b>
<b>Core PPOP</b>	<b>20,279</b>	<b>11,237</b>	<b>80.5</b>	<b>38,334</b>	<b>(47.1)</b>
Provisions	(17,378)	(24,166)	(28.1)	(10,498)	65.5
<b>PBT</b>	<b>9,144</b>	<b>(28,891)</b>	<b>(131.6)</b>	<b>28,769</b>	<b>(68.2)</b>
Tax	(2,301)	6,531	(135.2)	(7,247)	(68.2)
<b>PAT</b>	<b>6,843</b>	<b>(22,360)</b>	<b>(130.6)</b>	<b>21,522</b>	<b>(68.2)</b>
Key Ratios (%)	Q1 FY26	Q4 FY25	chg qoq	Q1 FY25	chg yoy
Net interest margin	3.46	2.25	121bps	4.25	-79bps
Yield on advances	11.62	9.45	217bps	12.57	-95bps
Cost of deposits	6.44	6.50	-6bps	6.53	-9bps
CASA ratio	31.0	33.0	-200bps	37.0	-600bps
Loan to Deposit Ratio	84.0	83.9	9bps	87.3	-328bps
Non-int. income / Total income	31.7	18.9	1286bps	31.1	62bps
Fee Income to Avg. Total Assets	1.1	1.7	-55bps	1.8	-68bps
Cost to Income ratio	61.0	112.6	-5160bps	50.0	1100bps
Opex to Avg. Total Assets	3.0	3.1	-3bps	3.0	3bps
Annualised Slippage Ratio	3.0	5.5	-257bps	1.8	120bps
Credit Cost	2.0	2.7	-67bps	1.2	83bps
Gross NPA	3.6	3.1	51bps	2.0	162bps
Provision Coverage Ratio	70.0	70.0	0bps	71.0	-100bps
Net NPA	1.1	1.0	17bps	0.6	52bps
RoA	0.5	(1.7)	218bps	1.7	-117bps
RoE	3.7	(14.1)	1783bps	13.5	-981bps
Capital adequacy ratio	16.6	16.2	39bps	17.6	-92bps
Tier I capital ratio	15.5	15.1	38bps	16.2	-67bps
CET1 ratio	15.5	15.1	38bps	16.2	-67bps

Source: Company, Systematix Institutional Research

**Exhibit 2: Advances and Deposits break-up**

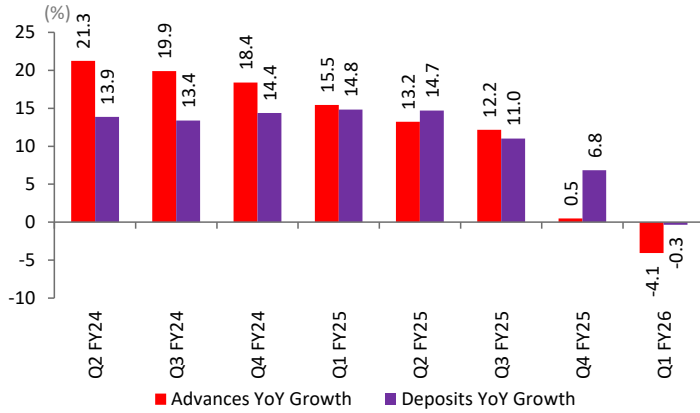
Particulars (Rs mn)	Q1 FY26	Q4 FY25	% qoq	Q1 FY25	% yoy
Loan book	33,36,940	34,50,190	(3.3)	34,78,980	(4.1)
Corporate & Comm. Banking	13,24,210	14,34,630	(7.7)	15,72,730	(15.8)
Large Corporates	7,26,990	7,67,020	(5.2)	8,50,450	(14.5)
Mid size Corporates	4,59,320	4,99,130	(8.0)	5,42,320	(15.3)
Small Corporates	1,37,900	1,68,480	(18.2)	1,79,960	(23.4)
Consumer Finance	20,12,730	20,15,560	(0.1)	19,06,250	5.6
Commercial vehicle loans	3,59,860	3,56,790	0.9	3,38,340	6.4
Small CV	43,660	43,110	1.3	40,600	7.5
2Wheeler loans	52,520	53,300	(1.5)	50,400	4.2
PV	3,01,260	2,96,310	1.7	2,66,290	13.1
Tractor	76,080	76,910	(1.1)	85,720	(11.2)
Equipment financing	1,30,190	1,29,530	0.5	1,16,830	11.4
Business Banking	1,79,730	1,82,320	(1.4)	1,66,830	7.7
Loan against property	1,24,810	1,23,870	0.8	1,11,690	11.7
Credit cards	1,10,590	1,10,850	(0.2)	1,07,860	2.5
Personal Loans	1,06,810	1,02,090	4.6	81,620	30.9
Merchant Advances	73,040	72,600	0.6	53,040	37.7
BL, AHL, Others	1,70,100	1,58,790	7.1	1,16,570	45.9
Microfinance	2,84,080	3,09,090	(8.1)	3,70,460	(23.3)
Deposits	39,71,440	41,10,781	(3.4)	39,85,130	(0.3)
Current	3,38,920	4,07,640	(16.9)	4,84,750	(30.1)
Saving	9,11,130	9,40,250	(3.1)	9,76,590	(6.7)
Term	27,21,390	27,62,891	(1.5)	25,23,790	7.8

Source: Company, Systematix Institutional Research, \* not comparable QoQ and YoY due to internal realignment in 1QFY26

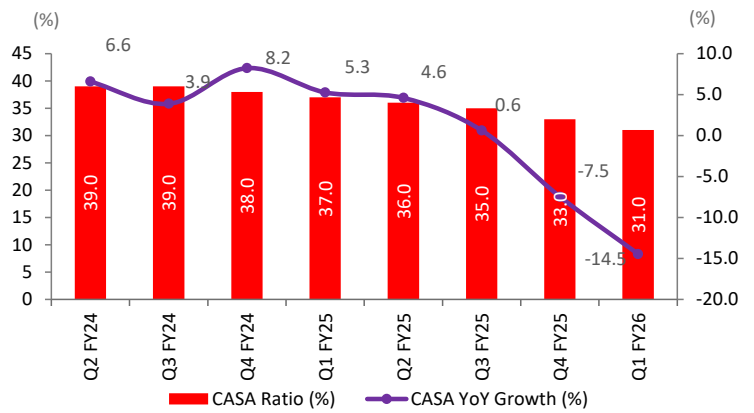
**Exhibit 3: Actuals Vs Expectation**

Q1FY26 (Rs. mn)	Actuals	Estimates	Variance
Net Interest Income	46,398	42,616	8.9
Pre-Prov. Operating Profit	26,522	24,528	8.1
Profit After Tax	6,843	4,135	65.5

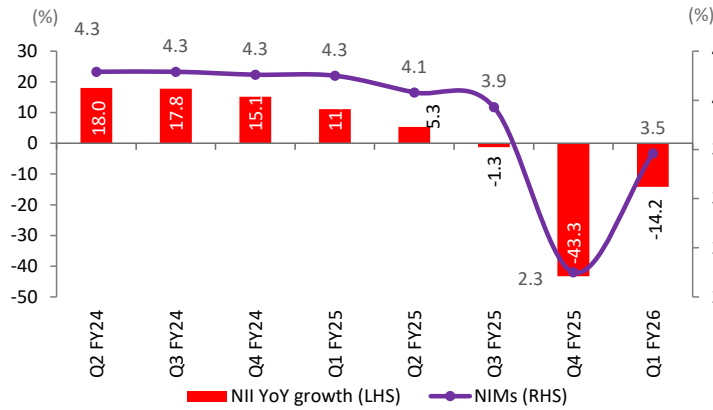
Source: Company, Systematix Institutional Research

**Exhibit 4: Advances and Deposits YoY Growth (%)**

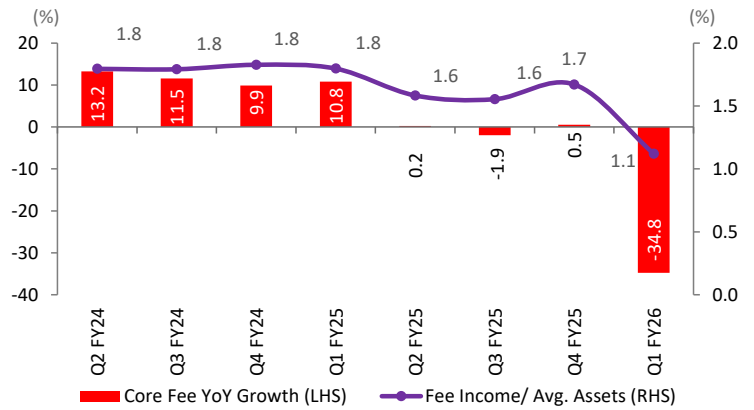
Source: Company, Systematix Institutional Research

**Exhibit 5: CASA Ratio and CASA YoY Growth (%)**

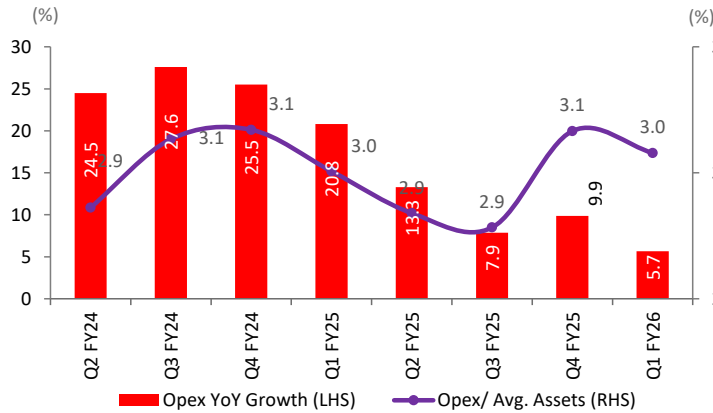
Source: Company, Systematix Institutional Research

**Exhibit 6: NII YoY Growth and NIM (%)**

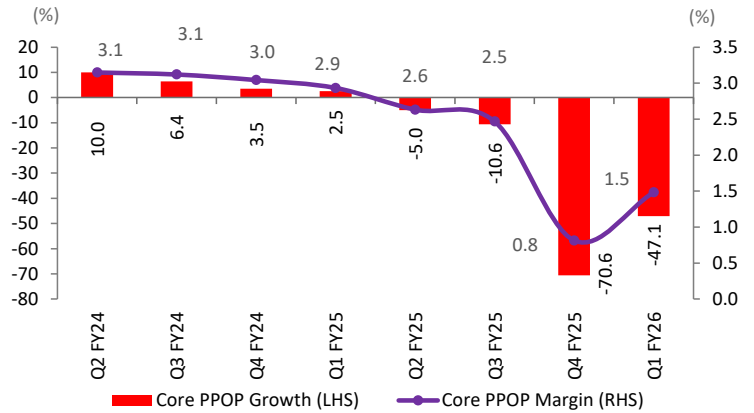
Source: Company, Systematix Institutional Research

**Exhibit 7: Fee Income YoY Growth and as % of average assets (%)**

Source: Company, Systematix Institutional Research

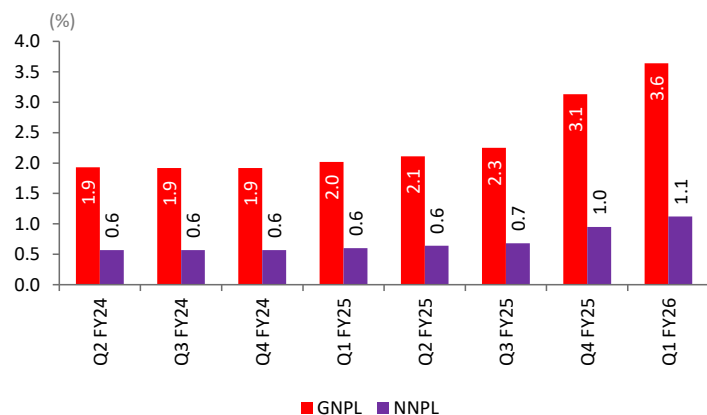
**Exhibit 8: Opex YoY growth and as % of average assets (%)**

Source: Company, Systematix Institutional Research

**Exhibit 9: Core PPOP YoY Growth and Margin (%)**

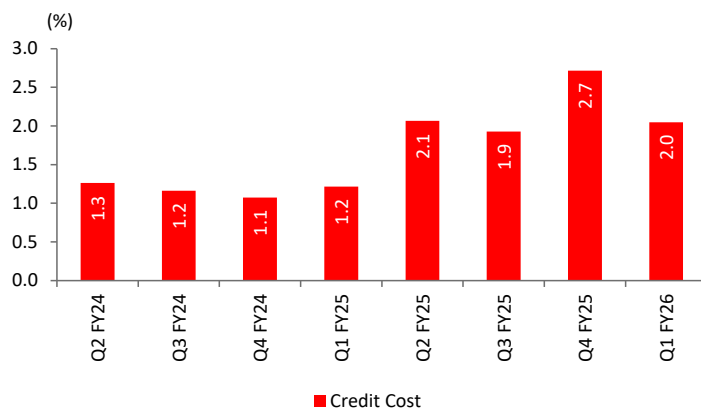
Source: Company, Systematix Institutional Research

Exhibit 10: GNPA and NNPA Ratio (%)



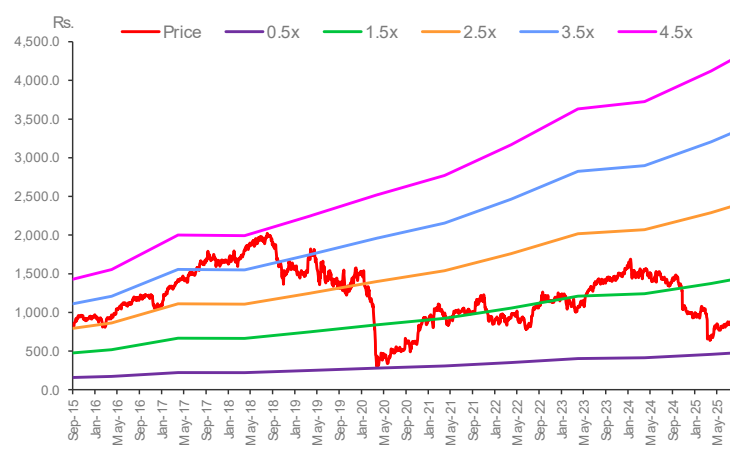
Source: Company, Systematix Institutional Research

Exhibit 11: Credit Cost (%)



Source: Company, Systematix Institutional Research

Exhibit 12: 1-year forward P/BV (x) trajectory



Source: Company, Systematix Institutional Research

Exhibit 13: 1-year forward P/BV (x) near long term average



Source: Company, Systematix Institutional Research

Exhibit 14: Revised vs earlier estimates

Particulars (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Interest Income	2,04,540	2,29,561	2,61,581	2,04,540	2,29,561	2,61,581	0.0	0.0	0.0
Pre-Prov. Operating Profit	1,42,781	1,63,507	1,90,310	1,42,781	1,63,507	1,90,310	0.0	0.0	0.0
Profit after tax	68,508	81,682	97,131	68,508	81,682	97,131	0.0	0.0	0.0

Source: Company, Systematix Institutional Research



## FINANCIALS

### Profit & Loss Statement

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	457	487	511	551	618
Interest expense	(251)	(296)	(306)	(321)	(356)
<b>Net interest income</b>	<b>206</b>	<b>190</b>	<b>205</b>	<b>230</b>	<b>262</b>
Fee Income	87	89	91	102	116
Other Income	7	(12)	8	9	10
Total Non-interest income	94	77	100	111	126
Total income	300	267	304	341	388
Operating expenses	(143)	(161)	(161)	(177)	(197)
<b>PPoP</b>	<b>157</b>	<b>106</b>	<b>143</b>	<b>164</b>	<b>190</b>
Core PPOP	150	119	135	155	181
Provisions	(38)	(70)	(51)	(55)	(61)
Profit before tax	119	36	91	109	130
Taxes	(30)	(10)	(23)	(27)	(32)
<b>Net profit</b>	<b>89</b>	<b>26</b>	<b>69</b>	<b>82</b>	<b>97</b>

Source: Company, Systematix Institutional Research

### Dupont

YE: Mar (%)	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	9.4	9.1	9.0	9.1	9.3
Interest expense	(5.2)	(5.5)	(5.4)	(5.3)	(5.3)
Net interest income	4.2	3.6	3.6	3.8	3.9
Non-interest income	1.9	1.4	1.8	1.8	1.9
Total income	6.2	5.0	5.4	5.6	5.8
Operating expenses	(2.9)	(3.0)	(2.8)	(2.9)	(3.0)
PPoP	3.2	2.0	2.5	2.7	2.9
Provisions	(0.8)	(1.3)	(0.9)	(0.9)	(0.9)
Profit before tax	2.5	0.7	1.6	1.8	1.9
Taxes	(0.6)	(0.2)	(0.4)	(0.5)	(0.5)
Net profit	1.8	0.5	1.2	1.4	1.5

Source: Company, Systematix Institutional Research

### Balance Sheet

YE: Mar (Rs bn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	8	8	8	8	8
Reserves & surplus	620	637	706	787	884
<b>Net worth</b>	<b>628</b>	<b>645</b>	<b>713</b>	<b>795</b>	<b>892</b>
Deposits	3,848	4,111	4,401	4,831	5,352
Borrowings	476	537	416	378	455
Other liabilities	197	247	261	295	326
<b>Total liabilities</b>	<b>5,149</b>	<b>5,540</b>	<b>5,791</b>	<b>6,299</b>	<b>7,025</b>
Total cash & equ.	368	592	447	381	417
Investments	1,065	1,145	1,196	1,319	1,466
Advances	3,433	3,450	3,726	4,136	4,632
Fixed assets	22	24	26	29	31
Other assets	261	330	396	435	479
<b>Total assets</b>	<b>5,149</b>	<b>5,540</b>	<b>5,791</b>	<b>6,299</b>	<b>7,025</b>

Source: Company, Systematix Institutional Research

### Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth Trend (%)</b>					
Net interest income	17.2	(7.7)	7.5	12.2	13.9
Total Income	16.5	(11.0)	13.9	11.9	13.8
PPoP	9.7	(32.4)	34.1	14.5	16.4
Net profit	21.1	(70.5)	159.2	19.2	18.9
Advances	18.4	0.5	8.0	11.0	12.0
Deposits	14.4	6.8	7.1	9.8	10.8
<b>Return Ratios (%)</b>					
Return on Average Equity	15.2	4.2	10.1	10.8	11.5
Return on Average Assets	1.8	0.5	1.2	1.4	1.5
<b>Per share data (Rs)</b>					
EPS	115	34	88	105	125
BVPS	807	828	916	1,021	1,145
ABVPS	782	786	867	972	1,090
<b>Valuation multiples (x)</b>					
P/E	7.0	23.6	9.1	7.6	6.4
P/BV	1.0	1.0	0.9	0.8	0.7
P/ABV	1.0	1.0	0.9	0.8	0.7
<b>Spread Analysis (%)</b>					
Net interest margin	4.3	3.6	3.7	3.9	4.0
Yield on loans	12.0	11.5	11.6	11.7	11.8
Cost of deposits	6.0	6.6	6.5	6.4	6.5
Loan-deposit ratio	89.2	83.9	84.7	85.6	86.6
<b>Opex control (%)</b>					
Cost/Income ratio	47.5	60.2	53.1	52.0	50.9
Cost to average assets	2.9	3.0	2.8	2.9	3.0
<b>Asset quality (%)</b>					
Gross NPL ratio	1.9	3.1	2.9	2.4	2.3
Gross Slippage ratio	1.9	3.1	2.5	2.0	2.0
Total Credit Cost	1.2	2.0	1.4	1.4	1.4
Net NPA ratio	0.6	1.0	1.0	0.9	0.9

Source: Company, Systematix Institutional Research

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